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HEADLINE: Coming Attraction: AMC at a Downtown Multiplex

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BODY:

The AMC movie theater chain has signed up to operate a 22-screen movie theater in a retail-entertainment complex proposed for a site next to MCI Center downtown.

Big new theaters are proliferating in the region -- they've recently opened in Bowie, Rockville and at Potomac Yard in Alexandria. AMC Entertainment Inc. also recently signed a lease to construct a 24-screen theater with stadium-style seating in Alexandria's Eisenhower Valley. At 6,000 seats, that would be the largest multiplex on the East Coast, according to Hoffman Management Inc., the developer that owns the land.

At the downtown location, the 5,000-seat AMC theater would be the anchor tenant of a glitzy mixed-use project proposed by local developers Herbert Miller and John Akridge on a site over the Gallery Place Metro station. The project, currently going by the name Gallery Place, is planned to include 345,000 square feet of retail space, including the 115,000-square-foot theater, plus 120 residential units and 900 parking spaces.

According to Miller, many national retailers have shown serious interest in leasing space in the project.

AMC is the second movie chain this month to sign up for downtown space. Landmark Theatres Corp. of Los Angeles recently agreed to locate an eight-screen arts theater in the Lincoln Square building under construction nearby at 555 11th St. NW.

Akridge confidently predicts that the project will break ground by the middle of next year.

To make the project work, Miller and Akridge maintain, they need city-backed tax-increment financing (TIF). With TIF, the project is financed in part by bonds backed by the increased tax revenue a project brings. Although TIF has been used for years in many other areas, it is new in the District, and Gallery Place could be the first project to use it.

Also, the project will need private-sector loans. Lenders across the country have been leery about risky real estate ventures in recent months. With standard-issue developer bravado, though, both Miller and Akridge brush off any worries about getting money once they have tenants and TIF financing lined up.

AMC executive Richard King said his company, which runs the movie complex at Union Station, believes that the District is a large and under-served movie market. The old downtown area, he said, has particular appeal. "We were greatly impressed by the success of the arena and the additional development and foot traffic it has spawned and generated," he said.

"You could almost say that downtown D.C. has been waiting for a catalyst or magnet to make it bloom. I think the arena and this project will take it there," King said.

In Alexandria, AMC will break ground in the spring on its 24-screen theater, according to Holly Hoffman Nolting, president of Hoffman Management. Her family's company for years has owned 56 acres in the Eisenhower Valley, near Telegraph Road and the Beltway. There are already several office buildings there, and the company is among the finalists to build a new 2 million-square-foot headquarters for the Patent and Trademark Office.

Along with the theater, AMC has plans for two restaurants attached to the theater lobby. Nolting said she expects other restaurants and retail establishments to pop up, too. "We have 6,000 people in our buildings presently; these people need something to do," she said.

Smith Commercial Purchases

Charles E. Smith Commercial Realty L.P., the umbrella group that the Arlington real estate empire set up to consolidate its office holdings, last week purchased 13 properties in the District and Virginia.

All 13 buildings, which amount to 3.5 million square feet of space, were developed by Charles E. Smith Cos. and owned by Smith-led partnerships. They are seven buildings at Skyline City office park in Bailey's Crossroads, Arlington Courthouse Plaza I and II in Arlington, and four buildings in the District -- 1140 Connecticut Ave. NW, 1150 17th St. NW, 1101 17th St. NW and 1730 M St. NW.

With this purchase, Smith Commercial owns 39 buildings with a total 10.7 million square feet, or about 75 percent of the office property developed by its parent company over the years, according to spokesman John Kurtz.

Smith, founded more than 50 years ago by since-deceased patriarch Charles E. Smith and now led by his son and son-in-law, Robert Smith and Robert Kogod, is the region's largest developer. Over the years, it routinely organized ownership of each of its properties into a separate limited partnership. In 1994, the company rolled up the partnerships that owned most of its apartment buildings to form a public real estate investment trust, Charles E. Smith Residential Realty Inc.

The company's management has long said it hopes one day to take its office business public, too. Smith Commercial, which started by consolidating the company's Crystal City buildings, puts it in a position to do this relatively simply. But the stock markets right now are cool toward new real estate company offerings.

Smith Commercial did not put a price tag on its latest purchases. "We're still private enough to keep that private," Kurtz said. The mechanism for the acquisition was an exchange of partnership interests, a tax-free transaction for the sellers.

On the residential side, Smith has used similar partnership swaps to acquire numerous buildings from unrelated owners. Executives there said the company wants to do the same on the commercial side, even though it's not public.

"It's important to point out that the opportunity the Smith-affiliated partnerships have taken advantage of -- essentially a merger of mutual interests -- is also available to other non-Smith affiliated owners of office properties," said Ken McVearry, executive vice president of Smith Commercial. "It can be an attractive alternative for a property owner. By exchanging ownership interest in an individual property for equivalent value ownership in Smith Commercial Realty, a building owner gains significant advantages."